

February 19, 1999

Deborah McLaughlin

President

Commonwealth Electric Company

Cambridge Electric Light Company

2421 Cranberry Highway

Wareham, MA 02571

Re: Purchased Power Agreements, D.T.E. 98-62

Dear Ms. McLaughlin:

On July 1, 1998, the Department of Telecommunications and Energy ("Department") required each electric company to submit various information concerning each of its purchased power agreements ("PPA") pursuant to Section 193, Section 1G(d)(2)(i) of the Electric Utility Restructuring Act (Chapter 164 of the Acts of 1997) ("Act"). As required by the Act, the Department shall review PPAs in order to determine if they contain a price for electricity that is above-market as of the date of review. If, as of the date of review, a contract price is determined to be above-market, the electric company and the seller under the PPA "shall attempt to make a good-faith effort to renegotiate such contract in order to achieve further reductions in the transition charge." G.L. c. 164, § 1G(d)(2)(i). The standard of good faith "shall not require either party to agree to a proposal or require the making of concessions, but shall require active participation in negotiations and a willingness to make reasonable concessions in order to equitably

mitigate stranded costs, and to provide justification for proposals, and a sincere effort to reach agreement." Id.

Further, the Act states that if an electric company has, as part of a Department-approved divestiture plan assigned such contract to a buyer having adequate financial resources, the electric company shall have met its obligations under this paragraph. Id. In addition, if a seller under such a contract has consented to assignment of the existing contract to the buyer and has agreed to release the electric company from its obligations under such contract, the seller shall have met its obligations under the Act.

On July 31, 1998, Commonwealth Electric Company and Cambridge Electric Light Company ("COM/Electric" or "Companies") submitted the requested information. On October 14, 1998, the Department requested additional information with regard to the Companies' PPAs. Responses to these additional requests were provided on October 23, 1998.

As demonstrated in the filings, COM/Electric has conducted an auction for the right to electricity from its PPAs. Some, but not all, PPA sellers submitted proposals in the auction. Other organizations also submitted bids. "Final" proposals were submitted in May 1998. However, COM/Electric is still negotiating with bidders. Based on the foregoing, we find that the Companies have demonstrated an attempt to make a good-faith effort to renegotiate their above-market PPAs within the meaning of G.L. c. 164, § 1G(d)(2)(i). As required by the Act, the Companies shall report to the Department any change in the status of their PPAs within

30 days.

Sincerely,

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Janet Gail Besser, Chair

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James Connelly, Commissioner

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W. Robert Keating, Commissioner

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Paul B. Vasington, Commissioner

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Eugene J. Sullivan, Jr., Commissioner

cc: George B. Dean, Esq.

Marcy S. Rosenzweig, Esq.